



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

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Third District

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MICHAEL D. ANTONOVICH
Fifth District

July 12, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

RETROACTIVE CONTRACTS ANNUAL SURVEY REPORT

On May 22, 2007, your Board issued a series of instructions to limit the occurrences of retroactive payment requests, including a directive to this Office to provide an annual report identifying all retroactive payments approved by the Board, and any pending retroactive payments.

In response to your instructions, this Office established the Retroactive Contract Review Committee (RCRC) in August 2007. The RCRC consists of three senior managers representing the Auditor-Controller, Internal Services Department (ISD), and this Office who review any retroactive contract before it can be placed on your Board's agenda for approval. As part of the RCRC review process, departments are required to prepare a report explaining the circumstances that led to the retroactive occurrence, the corrective action measures implemented to prevent recurrence, and any disciplinary actions. For each retroactive matter, the RCRC provides a final recommendation that will be reflected in the subsequent Board letter.

As indicated in Attachment I, departments presented three retroactive occurrences involving eight contracts totaling approximately \$277,006 to the RCRC during 2009-10. The types of services contracted varied by department. In most of these scenarios, the reason for the retroactive situation was attributable to inadequate contract monitoring by the departments, resulting in contracts expiring while services were still being provided by the vendor, or exceeding the maximum contract amount without proper authority.

"To Enrich Lives Through Effective And Caring Service"

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Pending Retroactive Contracts Survey Results

In addition to the above actions, this Office surveyed departments as to their pending retroactive contracts for 2010-11, and only the Probation Department indicated they have a pending retroactive purchase order requiring your Board's approval for the current fiscal year. Please see Attachment II for information on that pending retroactive contract for 2010-11. The Probation Department is in the process of preparing documentation to appear before the RCRC to address this retroactive situation.

Based upon our analysis of the survey information, we determined that the vast majority of departments have appropriate procedures and policies in place to avoid retroactive contracts.

Proactive Measures

As part of our ongoing efforts to reduce retroactive contracts, the RCRC will continue to work with affected departments to assess the reasons that led to non-compliance and develop recommendations to improve their processes. While there will always be a human element subject to unintentional error involved in the contracting process, the measures currently in existence, including the RCRC, should minimize the occurrence of retroactive contracts.

Further, the Auditor-Controller has developed a contracts dashboard, a computer desktop interactive tool that will allow departments to better monitor their contracts and prevent overspending or retroactivities. The Auditor-Controller will be providing additional information and training instructions to departments by the end of July 2010, under separate cover.

Effective July 1, 2010, ISD has assumed the role as Chair of the RCRC, with representatives from this Office and the Auditor-Controller as RCRC members. ISD will also assume the responsibility of submitting subsequent annual reports of retroactive contracts to your Board. Should you have questions regarding this memorandum, please let me know, or your staff may contact Joe Sandoval of ISD at (323) 267-2109, or jsandoval@isd.lacounty.gov.

WTF:BC:MKZ
FC:JH:ib

Attachments (2)

c: All Department Heads
Administrative Deputies
Contract Managers' Network

RETROACTIVE CONTRACTS

FISCAL YEAR 2009-10

COMMITTEE MEETING DATE	DEPARTMENT	NUMBER OF CONTRACTS	RETROACTIVE AMOUNT	COMMENTS
December 10, 2009	Mental Health	1	\$71,204	After the termination of the Agreement with City of Angels Medical Center, DMH staff inadvertently continued to authorize and refer Psychiatric Outreach Diversion Program (PDP) admissions to Silver Lake Medical Center. In the absence of an agreement, Silver Lake Medical Center could not be reimbursed for the PDP inpatient services.
December 10, 2009	Public Health	1	\$124,998	Services continued after the expiration of a valid Board-approved contract for alcohol and drug service to support the continued provision of the California Department of Alcohol and Drug Program's California Screening, Brief Intervention, Referral and Treatment Project services.
April 28, 2010	Public Library	6	\$80,804	Retroactive payments made by the Public Library over multiple annual contract periods to Matrix Building Maintenance, Inc., dba MBM Professional Janitorial Services (\$1,680.41), and Sepco Earthscape, Inc. (\$79,124.11) for services that exceeded the maximum annual contract amount of six custodial and landscape and grounds maintenance contracts.
Totals		8	\$277,006	

07/1/10

PENDING RETROACTIVE CONTRACTS
FISCAL YEAR 2010-11

DEPARTMENT	SERVICES	CONTRACTOR	AMOUNT	COMMENTS
Probation	One modification and two enhancements to the Department's existing Case Management Inventory System.	Assessments.com	\$13,840	Meeting will be scheduled with the Retroactive Review Committee for late July.

07/1/10